



Blouberg Local Municipality
Annual Financial Statements
for the year ended 30 June 2020

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity	Local Municipality Category B
Nature of business and principal activities	Local Government and the provision of basic services to the local community
Executive committee	
Mayor	Pheedi Ms
Speaker	Thamaga MN
Chief Whip	Tshoshi MM
Members of executive committee	
	Makobela SR
	Mashalane MS
	Morapedi AM
	Makhura MH
	Rangata MJ
	Maila MP
	Ntlatla MW
Councillors	Mathidza SE
	Masekwameng MR
	Raseruthe MA
	Lehong MV
	Tiouamma NM
	Moetjie NT
	Mojodo MD
	Seema MI
	Maifo ML
	Mokobodi CS
	Moshokoa MS
	Murathi MS
	Molema MN
	Sebetha MJ
	Makgakga JP
	Ramoba MR
	Sekgoloane MJ
	Molokomme MM
	Mphago MA
	Modingwana MG
	Setwaba DS
	Maleka NG
	Magwai RT
	Madzhie AE
	Selamolela S
	Madibana SS
	Phoshoko NC
	Mabolola SJ
	Chula MI
	Morudu MF
	Madibana MR
	Madiope MT

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

General Information

	Tefo LT Tjumana MM
Grading of local authority	Grade 3
Municipal Manager	Machaba MJ
Chief Finance Officer (CFO)	Mabote NJ
Registered office	2nd Building Dendron Road Senwabarwana 0790
Business address	2nd Building Dendron Road Senwabarwana 0790
Postal address	P.O.Box 1593 Senwabarwana 0790
Bankers	ABSA
Auditors	Auditor- General of South Africa

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
Accounting Officer's Responsibilities and Approval	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 13
Appropriation Statement	14 - 15
Accounting Policies	16 - 30
Notes to the Annual Financial Statements	31 - 67

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Index

MFMA	Municipal Finance Management Act
AFS	Annual Financial Statements
AGSA	Auditor General South Africa
CFO	Chief Financial Officer
DcoG	Department of Corporative Governance
GRAP	Generally Recognised Accounting Practice
FMCM	Financial Management Capability Maturity Model
FMG	Financial Management Grants
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers (previously IMFO)
IPSAS	International Public Sector Accounting Standards
IDP	Integrated Development Plan
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax
LED	Local Economic Development
CDM	Capricorn District Municipality
WIP	Work In Progress
IFRS	International Financial Reporting Standards
MISA	Municipal Infrastructure Support Agent
MM	Municipal Manager
NT	National Treasury
LPT	Limpopo Provincial Treasury
SDBIP	Service Delivery Budget and Implementation Plan

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

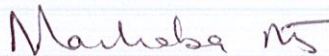
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 67, which have been prepared on the going concern basis, were approved by the on _____ and were signed on its behalf by:



Machaba MJ
Municipal Manager

Date: 30-10-2020

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	7	6,839,131	6,798,794
Receivables from exchange transactions	8	2,026,979	3,395,574
Receivables from non-exchange transactions	9	74,384,426	91,333,760
VAT receivable	10	1,247,263	3,263,395
Consumer debtors	11	9,952,680	11,350,252
Cash and cash equivalents	12	38,174,701	7,563,567
		132,625,180	123,705,342
Non-Current Assets			
Investment property	3	8,544,772	9,760,000
Property, plant and equipment	4	923,583,530	909,795,206
Intangible assets	5	372,489	543,961
Investments	6	3,085,203	3,090,652
		935,585,994	923,189,819
Total Assets		1,068,211,174	1,046,895,161
Liabilities			
Current Liabilities			
Other financial liabilities	15	3,072,534	2,675,395
Finance lease obligation	13	303,748	517,382
Payables from exchange transactions	17	36,501,858	43,424,180
Unspent conditional grants and receipts	14	7,057,920	1,139,232
Provisions	16	22,621,641	19,031,318
		69,557,701	66,787,507
Non-Current Liabilities			
Finance lease obligation	13	-	303,747
Provisions	16	6,764,913	6,166,690
		6,764,913	6,470,437
Total Liabilities		76,322,614	73,257,944
Net Assets		991,888,560	973,637,217
Accumulated surplus		991,888,560	973,637,217

* See Note 39

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	29,269,232	22,984,085
Rental of facilities and equipment	20	799,051	684,825
Licences and permits		3,372,309	3,699,166
Photocopies & Electricity illegal connections		28,626	43,807
CDM - Commissions received		362,884	481,245
Cemetery, Burial and Plans approval fees		145,443	140,643
Valuation Services		288	2,535
Interest charged on outstanding debtors		2,222,812	1,286,914
Sale of Inventory - Sites/Land	22	528,923	3,250,360
Cattle Grazing		50,634	52,942
Interest received - investment	23	1,452,860	1,307,931
Actuarial gains	16	73,113	-
Total revenue from exchange transactions		38,306,175	33,934,453
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	25,567,365	24,056,427
Transfer revenue			
Government grants & subsidies	25	248,704,311	234,299,022
Fines		1,018,920	1,784,480
Total revenue from non-exchange transactions		275,290,596	260,139,929
Total revenue	18	313,596,771	294,074,382
Expenditure			
Employee related costs	26	(111,367,287)	(104,026,814)
Remuneration of councilors	27	(16,975,680)	(16,186,992)
Depreciation and amortisation	28	(35,725,380)	(35,257,582)
Finance costs	29	(517,154)	(1,080,965)
Provision for Debt Impairment	30	(11,679,385)	2,313,302
Bulk purchases	31	(33,970,658)	(31,566,419)
Contracted services	32	(17,337,064)	(14,345,769)
Loss on disposal of assets and liabilities		(114,439)	(119,130)
Fair value adjustments		(860,000)	-
Actuarial losses		-	(265,962)
General Expenses	33	(66,789,536)	(79,935,001)
Total expenditure		(295,336,583)	(280,471,332)
Surplus for the year		18,260,188	13,603,050

* See Note 39

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	957,097,022	957,097,022
Adjustments		
Correction of errors - Refer to note 39	2,937,145	2,937,145
Balance at 01 July 2018 as restated*	960,034,167	960,034,167
Changes in net assets		
Surplus for the year	13,603,050	13,603,050
Total changes	13,603,050	13,603,050
Opening balance as previously reported	973,342,142	973,342,142
Adjustments		
Correction of prior period errors (Note 39)	286,230	286,230
Restated* Balance at 01 July 2019 as restated*	973,628,372	973,628,372
Changes in net assets		
Surplus for the year	18,260,188	18,260,188
Total changes	18,260,188	18,260,188
Balance at 30 June 2020	991,888,560	991,888,560

Note(s)

* See Note 39

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from rate payers and other		73,491,848	42,416,367
Grants		254,623,000	234,738,469
Interest income		1,452,860	1,307,931
		<u>329,567,708</u>	<u>278,462,767</u>
Payments			
Employee costs		(128,342,967)	(120,213,806)
Suppliers		(120,524,989)	(115,356,796)
Finance costs		(456,719)	(419,776)
		<u>(249,324,675)</u>	<u>(235,990,378)</u>
Net cash flows from operating activities	35	80,243,033	42,472,389
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(49,456,671)	(46,831,695)
Purchase of other intangible assets	5	-	(457,941)
Increase in Short term investments		5,449	(1,114)
		<u>(49,451,222)</u>	<u>(47,290,750)</u>
Net cash flows from investing activities		(49,451,222)	(47,290,750)
Cash flows from financing activities			
Repayment of other financial liabilities		397,139	(2,072,766)
Finance lease payments		(577,816)	(1,128,708)
		<u>(180,677)</u>	<u>(3,201,474)</u>
Net cash flows from financing activities		(180,677)	(3,201,474)
Net increase/(decrease) in cash and cash equivalents		30,611,134	(8,019,835)
Cash and cash equivalents at the beginning of the year		7,563,567	15,583,402
Cash and cash equivalents at the end of the year	12	38,174,701	7,563,567

* See Note 39

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	33,086,400	-	33,086,400	29,269,232	(3,817,168)	Refer to note 50 (1)
Rental of facilities and equipment	200,000	-	200,000	799,051	599,051	
Agency services	3,150,000	(3,150,000)	-	-	-	
Licences and permits	4,109,929	-	4,109,929	3,372,309	(737,620)	Refer to note 50 (2)
Photocopies & Electricity Illegal connections	75,343	-	75,343	28,626	(46,717)	Refer to note 50 (2)
Commissions received	-	-	-	362,884	362,884	
Cemetery, Burial and Building Plans approval	208,540	-	208,540	145,443	(63,097)	Refer to note 50 (2)
Valuation Services	-	-	-	288	288	
Interest received on outstanding debtors	616,820	-	616,820	2,222,812	1,605,992	Refer to note 50 (3)
Other income	3,075,060	150,000	3,225,060	528,923	(2,696,137)	Refer to note 50 (4)
Cattle Grazing	100,000	-	100,000	50,634	(49,366)	
Interest received - investment	1,700,000	-	1,700,000	1,452,860	(247,140)	Refer to note 50 (5)
Total revenue from exchange transactions	46,322,092	(3,000,000)	43,322,092	38,233,062	(5,089,030)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	28,090,001	-	28,090,001	25,567,365	(2,522,636)	Refer to note 50 (6)
Transfer revenue						
Government grants & subsidies	251,265,000	4,086,170	255,351,170	248,704,311	(6,646,859)	
Fines	3,390,343	-	3,390,343	1,018,920	(2,371,423)	Refer to note 50(7)
Total revenue from non-exchange transactions	282,745,344	4,086,170	286,831,514	275,290,596	(11,540,918)	
Total revenue	329,067,436	1,086,170	330,153,606	313,523,658	(16,629,948)	
Expenditure						
Personnel	(120,627,836)	-	(120,627,836)	(111,367,287)	9,260,549	Refer to note 50 (8)
Remuneration of councillors	(17,090,931)	-	(17,090,931)	(16,975,680)	115,251	
Depreciation and amortisation	(41,673,731)	556,012	(41,117,719)	(35,725,380)	5,392,339	
Finance costs	-	-	-	(517,154)	(517,154)	
Debt impairment	(8,330,407)	-	(8,330,407)	(11,679,385)	(3,348,978)	Refer to note 50 (9)
Bulk purchases	(35,000,000)	-	(35,000,000)	(33,970,658)	1,029,342	

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Contracted Services	(42,105,356)	(4,579,476)	(46,684,832)	(17,337,064)	29,347,768	Refer to note 50 (10)
General Expenses	(48,852,449)	3,107,408	(45,745,041)	(66,789,536)	(21,044,495)	Refer to note 50 (10)
Total expenditure	(313,680,710)	(916,056)	(314,596,766)	(294,362,144)	20,234,622	
Operating surplus	15,386,726	170,114	15,556,840	19,161,514	3,604,674	
Loss on disposal of assets and liabilities	-	-	-	(114,439)	(114,439)	
Fair value adjustments	-	-	-	(860,000)	(860,000)	
Actuarial gains/losses	-	-	-	73,113	73,113	
	-	-	-	(901,326)	(901,326)	
Surplus before taxation	15,386,726	170,114	15,556,840	18,260,188	2,703,348	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	15,386,726	170,114	15,556,840	18,260,188	2,703,348	

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	4,171,383	-	4,171,383	6,839,131	2,667,748
Receivables from exchange transactions	1,011,486	1,928,525	2,940,011	2,026,979	(913,032)
Receivables from non-exchange transactions	13,743,798	93,464,102	107,207,900	74,384,426	(32,823,474)
VAT receivable	5,753,746	-	5,753,746	1,237,302	(4,516,444)
Consumer debtors	1,712,888	11,648,422	13,361,310	9,952,680	(3,408,630)
Cash and cash equivalents	54,689,033	(42,068,399)	12,620,634	38,174,701	25,554,067
	81,082,334	64,972,650	146,054,984	132,615,219	(13,439,765)

Non-Current Assets

Investment property	205,000	2,805,000	3,010,000	8,544,772	5,534,772
Property, plant and equipment	327,782,775	611,011,294	938,794,069	923,583,530	(15,210,539)
Intangible assets	390,077	153,884	543,961	372,489	(171,472)
Investments	-	-	-	3,085,203	3,085,203
	328,377,852	613,970,178	942,348,030	935,585,994	(6,762,036)

Total Assets

	409,460,186	678,942,828	1,088,403,014	1,068,201,213	(20,201,801)
--	--------------------	--------------------	----------------------	----------------------	---------------------

Liabilities

Current Liabilities

Other financial liabilities	-	-	-	3,072,534	3,072,534
Finance lease obligation	-	-	-	303,748	303,748
Payables from exchange transactions	3,114,879	58,815,343	61,930,222	36,501,854	(25,428,368)
Unspent conditional grants and receipts	-	-	-	7,057,920	7,057,920
Provisions	18,555,265	-	18,555,265	22,621,641	4,066,376
Other liability	721,060	-	721,060	-	(721,060)
	22,391,204	58,815,343	81,206,547	69,557,697	(11,648,850)

Non-Current Liabilities

Provisions	-	-	-	6,764,913	6,764,913
------------	---	---	---	-----------	-----------

Total Liabilities

	22,391,204	58,815,343	81,206,547	76,322,610	(4,883,937)
--	-------------------	-------------------	-------------------	-------------------	--------------------

Net Assets

	387,068,982	620,127,485	1,007,196,467	991,878,603	(15,317,864)
--	--------------------	--------------------	----------------------	--------------------	---------------------

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	387,068,982	620,127,485	1,007,196,467	991,878,603	(15,317,864)
---------------------	-------------	-------------	---------------	-------------	--------------

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	--------------------	-------------	--------------	--	---	-----------

Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Grants	262,747,500	(11,482,500)	251,265,000	254,623,000	3,358,000
Interest income	2,316,820	-	2,316,820	1,452,860	(863,960)
Other receipts	60,553,555	(3,262,219)	57,291,336	73,491,848	16,200,512
	325,617,875	(14,744,719)	310,873,156	329,567,708	18,694,552

Payments

Suppliers and employees	(262,409,104)	17,980,079	(244,429,025)	(249,324,675)	(4,895,650)
-------------------------	---------------	------------	---------------	---------------	-------------

Net cash flows from operating activities	63,208,771	3,235,360	66,444,131	80,243,033	13,798,902
---	-------------------	------------------	-------------------	-------------------	-------------------

Cash flows from investing activities

Purchase of property, plant and equipment	64,215,057	(170,090)	64,044,967	(49,456,671)	(113,501,638)
Increase in investments	-	-	-	5,449	5,449

Net cash flows from investing activities	64,215,057	(170,090)	64,044,967	(49,451,222)	(113,496,189)
---	-------------------	------------------	-------------------	---------------------	----------------------

Cash flows from financing activities

Repayment of other financial liabilities	-	-	-	397,139	397,139
Finance lease payments	-	-	-	(577,816)	(577,816)

Net cash flows from financing activities	-	-	-	(180,677)	(180,677)
---	----------	----------	----------	------------------	------------------

Net increase/(decrease) in cash and cash equivalents	127,423,828	3,065,270	130,489,098	30,611,134	(99,877,964)
--	-------------	-----------	-------------	------------	--------------

Cash and cash equivalents at the beginning of the year	-	(32,109,188)	(32,109,188)	7,563,567	39,672,755
--	---	--------------	--------------	-----------	------------

Cash and cash equivalents at the end of the year	127,423,828	(29,043,918)	98,379,910	38,174,701	(60,205,209)
---	--------------------	---------------------	-------------------	-------------------	---------------------

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Other notes to the financial statements											
Financial Performance											
Property rates	28,090,001	-	28,090,001	-	-	28,090,001	25,567,365	-	(2,522,636)	91 %	91 %
Service charges	33,086,400	-	33,086,400	-	-	33,086,400	29,269,232	-	(3,817,168)	88 %	88 %
Investment revenue	1,700,000	-	1,700,000	-	-	1,700,000	1,452,860	-	(247,140)	85 %	85 %
Transfers recognised - operational	191,915,000	1,358,000	193,273,000	-	-	193,273,000	193,208,163	-	(64,837)	100 %	101 %
Other own revenue	14,926,035	(3,000,000)	11,926,035	-	-	11,926,035	8,603,003	-	(3,323,032)	72 %	58 %
Total revenue (excluding capital transfers and contributions)	269,717,436	(1,642,000)	268,075,436	-	-	268,075,436	258,100,623	-	(9,974,813)	96 %	96 %
Employee costs	(120,627,836)	-	(120,627,836)	-	-	(120,627,836)	(111,367,287)	-	9,260,549	92 %	92 %
Remuneration of councillors	(17,090,931)	-	(17,090,931)	-	-	(17,090,931)	(16,975,680)	-	115,251	99 %	99 %
Debt impairment	(8,330,407)	-	(8,330,407)	-	-	(8,330,407)	(11,679,385)	-	(3,348,978)	140 %	140 %
Depreciation and asset impairment	(41,673,731)	556,012	(41,117,719)	-	-	(41,117,719)	(35,725,380)	-	5,392,339	87 %	86 %
Finance charges	-	-	-	-	-	-	(517,154)	-	(517,154)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(35,000,000)	-	(35,000,000)	-	-	(35,000,000)	(33,970,658)	-	1,029,342	97 %	97 %
Other expenditure	(90,957,805)	(1,472,068)	(92,429,873)	-	-	(92,429,873)	(85,101,039)	-	7,328,834	92 %	94 %
Total expenditure	(313,680,710)	(916,056)	(314,596,766)	-	-	(314,596,766)	(295,336,583)	-	19,260,183	94 %	94 %
Surplus/(Deficit)	(43,963,274)	(2,558,056)	(46,521,330)	-	-	(46,521,330)	(37,235,960)	-	9,285,370	80 %	85 %

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	59,350,000	2,728,170	62,078,170	-		62,078,170	55,496,148		(6,582,022)	89 %	94 %
Surplus (Deficit) after capital transfers	15,386,726	170,114	15,556,840	-		15,556,840	18,260,188		2,703,348	117 %	119 %
Surplus/(Deficit) for the year	15,386,726	170,114	15,556,840	-		15,556,840	18,260,188		2,703,348	117 %	119 %
Capital expenditure and funds sources											
Total capital expenditure	64,215,057	170,090	64,385,147	-		64,385,147	49,456,671		(14,928,476)	77 %	77 %
Cash flows											
Net cash from (used) operating	63,208,771	3,235,360	66,444,131	-		66,444,131	80,243,033		13,798,902	121 %	127 %
Net cash from (used) investing	(64,215,057)	170,090	(64,044,967)	-		(64,044,967)	(49,451,222)		14,593,745	77 %	77 %
Net cash from (used) financing	-	-	-	-		-	(180,677)		(180,677)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	(1,006,286)	3,405,450	2,399,164	-		2,399,164	30,611,134		28,211,970	1,276 %	(3,042)%
Cash and cash equivalents at the beginning of the year	-	(32,109,188)	(32,109,188)	-		(32,109,188)	7,563,567		39,672,755	(24)%	DIV/0 %
Cash and cash equivalents at year end	(1,006,286)	(28,703,738)	(29,710,024)	-		(29,710,024)	38,174,701		(67,884,725)	(128)%	(3,794)%

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Comparative figures

Budget information in accordance with GRAP 1 and 24 has been provided in the statement of comparison of the budget and actual and forms part of the financial statements.

When the presentation or classification of the items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the classification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The municipality's material variance is considered when there is a 6% deviation from the budget and actual.

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the municipality would suffer an additional deficit of - in its 2020 annual financial statements, being a reclassification adjustment of the fair value adjustments previously recognised in other comprehensive income and accumulated in equity on the impaired available-for-sale financial assets to surplus or deficit.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure		5 - 60
Roads and paving		5 - 50
Concrete		5 - 80
Electricity		5 - 50
Computer Equipment		5 - 16
Plant and Machinery		5 - 17
Buildings		5 - 50
Recreational facilities		5 - 50
Security		5 - 50
Halls		5 - 50
Libraries		5 - 50
Parks and gardens		5 - 50
Other assets		5 - 50
Other property, plant and equipment		5 - 50
Specialist vehicles		5 - 15
Office equipment		5 - 10
Furniture and fittings		5 - 16
Motor vehicles		5 - 22
Bins and Containers		10 - 20

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.5 Property, plant and equipment (continued)

Specialised past and equipment	5 - 10
Other items of plant and equipment	5 - 15
Leased assets	3 - 5
Emergency equipment	5 - 10
Heritage assets	5 - 50
Paintings and artifacts	5 - 50

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as change in the accounting estimate..

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.6 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer softwares	Straight line	3 to 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Investments

The municipality recognise investments at fair value. Interest on investments are recognised on statement of financial performance.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.8 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash and cash equivalent;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.8 Financial instruments (continued)

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.11 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.11 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Capital Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.19 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.21 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.23 VAT

VAT is accounted for on accrual basis in the financial records.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
-----------------	------	------

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2020	Not expected to impact results but may result in additional disclosure
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
-----------------	------	------

3. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	8,544,772	-	8,544,772	9,760,000	-	9,760,000

Reconciliation of investment property - Other notes to the financial statements

	Opening balance	Transfers	Fair Value adjustment	Total
Investment property	9,760,000	(355,228)	(860,000)	8,544,772

Reconciliation of investment property - 2019

	Opening balance	Transfers	Total
Investment property	-	9,760,000	9,760,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was Wednesday, 08 July 2020. Revaluations were performed by an independent valuer, Mod Hope Properties by Modiba Kholofelo, registered as a Professional Associated Valuer in terms of the Property Valuer's Professional Act, 2000 (Act No 47 of 2000). Mod Hope Properties are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8,026,290	-	8,026,290	8,026,290	-	8,026,290
Buildings	39,719,478	(22,171,583)	17,547,895	39,575,957	(20,581,443)	18,994,514
Infrastructure	1,040,066,225	(398,497,056)	641,569,169	1,011,446,161	(375,291,422)	636,154,739
Community Assets	196,174,909	(54,387,060)	141,787,849	195,585,472	(46,832,466)	148,753,006
Other Assets	37,303,812	(15,342,512)	21,961,300	36,139,036	(12,272,004)	23,867,032
WIP - Community Assets	29,966,221	-	29,966,221	26,016,348	-	26,016,348
WIP - Infrastructure	62,724,806	-	62,724,806	47,983,277	-	47,983,277
Total	1,413,981,741	(490,398,211)	923,583,530	1,364,772,541	(454,977,335)	909,795,206

Reconciliation of property, plant and equipment - Other notes to the financial statements

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	8,026,290	-	-	-	-	8,026,290
Buildings	18,994,514	143,521	-	-	(1,590,140)	17,547,895
Infrastructure	636,154,739	438,883	(114,439)	28,428,653	(23,338,667)	641,569,169
Community	148,753,006	589,437	-	-	(7,554,594)	141,787,849
Other Assets	23,867,032	1,164,775	-	-	(3,070,507)	21,961,300
WIP - Community assets	26,016,348	3,949,873	-	-	-	29,966,221
WIP - Infrastructure	47,983,277	43,170,182	-	(28,428,653)	-	62,724,806
	909,795,206	49,456,671	(114,439)	-	(35,553,908)	923,583,530

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17,786,290	-	-	(9,760,000)	-	8,026,290
Buildings	20,577,552	-	-	-	(1,583,038)	18,994,514
Infrastructure	654,986,281	708,928	-	3,340,451	(22,880,921)	636,154,739
Community	156,310,824	-	-	-	(7,557,818)	148,753,006
Other Assets	26,706,179	1,075,040	(119,130)	-	(3,795,057)	23,867,032
WIP Community Assets	19,951,505	6,064,843	-	-	-	26,016,348
WIP Infrastructure	12,340,844	38,982,684	-	(3,340,451)	-	47,983,277
	908,659,475	46,831,695	(119,130)	(9,760,000)	(35,816,834)	909,795,206

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
-----------------	------	------

5. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	750,685	(378,196)	372,489	750,685	(206,724)	543,961

Reconciliation of intangible assets - Other notes to the financial statements

	Opening balance	Amortisation	Total
Computer software, other	543,961	(171,472)	372,489

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	233,394	457,941	(147,374)	543,961

6. Investments

Name of company	Held by	Carrying amount 2020	Carrying amount 2019
ABSA Bank	Blouberg Municipality	3,085,203	3,090,652

During the current year the municipality invested in NEDBANK fixed deposit account number 037-8811-376-14 which earned interest totalling R784 405 included in finance income from investments. The first investment of R40 000 000 was invested from 15 July 2019 to 16 September 2019 which earned the municipality a total interest of R533 688 which was withdrawn. The second investment was for R20 000 000 was invested from 3 December 2019 to 3 February 2020 which earned the municipality a total interest of R250 718 which was also withdrawn.

The Municipality has a long term investment in an ABSA fixed deposit as Eskom Guarantee to an amount of R3 085 203 (2019: R3 090 652) as at 30 June 2020. The municipality does not have access to the account, only receives interest on investment. During the year an amount of R209 306 (2019: R229 120) interest was earned from the investment.

7. Inventories

Inventory sites	3,194,275	3,517,411
Consumable stores	3,644,856	3,281,383
	6,839,131	6,798,794

8. Receivables from exchange transactions

Prepaid electricity Accrued	371,994	270,392
CDM Commission	1,163,175	1,163,175
Other Receivables	491,810	312,007
CDM Grant Receivables	-	1,650,000
	2,026,979	3,395,574

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
9. Receivables from non-exchange transactions		
Traffic Fines	1,018,920	1,784,479
Other receivable- Senior Managers	19,337	19,337
Equitable share	1,063,859	1,063,859
Other receivables from non-exchange transactions	1,300,187	861,257
Rates	70,982,123	87,604,828
	74,384,426	91,333,760

Included in the Traffic fines receivables there is a provision for impairment of R4 747 357 (2019: R3 247 363). Included also is a debt write off of R- (2019: R-)

Included in the property rates receivable there is a provision for impairment of R13 288 031 (2019: R10 788 025). Included also is a debt write off of R- (2019: R-)

Receivables from non-exchange transactions

The ageing of these receivables is as follows:

Rates		
Current	314,361	298,023
31-60 days	510,030	195,265
61-90 days	192,685	192,016
91-120 days	201,358	183,576
121-365 days	14,493,549	20,157,047
>365 days	68,286,056	77,140,170
Traffic fines		
Current	8,800	192,250
31-60 days	16,600	214,700
61-90 days	60,600	218,850
91-120 days	64,500	173,600
121-365 days	92,800	1,835,050
>365 days	5,522,977	2,396,393

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(14,035,388)	(15,566,661)
Provision for impairment	(3,992,938)	1,531,273
	(18,028,326)	(14,035,388)

10. VAT receivable

VAT	1,247,263	3,263,395
-----	-----------	-----------

11. Consumer debtors

Gross balances		
Electricity	13,695,177	9,489,749
Refuse	1,827,921	1,086,932
Interest	2,787,697	2,340,178
VAT on Services	2,357,338	1,646,092
Sundries	1,976,534	1,792,841
	22,644,667	16,355,792

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
11. Consumer debtors (continued)		
Less: Allowance for impairment		
Electricity	(8,609,149)	(2,666,645)
Refuse	(788,502)	(500,758)
Interest	(2,126,058)	(858,687)
Sundries	(1,168,278)	(979,450)
	(12,691,987)	(5,005,540)
Net balance		
Electricity	5,086,028	6,823,104
Refuse	1,039,419	586,174
Interest	661,639	1,481,491
VAT on Services	2,357,338	1,646,092
Sundries	808,256	813,391
	9,952,680	11,350,252
Electricity		
Current (0 -30 days)	778,803	547,223
31 - 60 days	1,256,210	421,700
61 - 90 days	317,956	235,509
91 - 120 days	933,025	380,491
121 - 365 days	2,165,329	2,840,600
> 365 days	7,573,071	6,056,541
	13,024,394	10,482,064
Refuse		
Current (0 -30 days)	112,615	47,457
31 - 60 days	205,947	46,332
61 - 90 days	100,039	45,615
91 - 120 days	99,074	44,672
121 - 365 days	502,864	364,251
> 365 days	713,731	612,307
	1,734,270	1,160,634
Sundries		
Current (0 -30 days)	16,464	18,913
31 - 60 days	32,892	18,784
61 - 90 days	16,334	45,151
91 - 120 days	14,450	18,631
121 - 365 days	115,964	172,355
> 365 days	1,504,849	1,489,530
	1,700,953	1,763,364
Reconciliation of allowance for impairment		
Balance at beginning of the year	(5,005,540)	(5,787,571)
Contributions to allowance	(7,686,447)	782,031
	(12,691,987)	(5,005,540)

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
12. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	7,421	1,643
Bank balances	33,143,826	7,561,924
Short-term Investment	5,023,454	-
	38,174,701	7,563,567

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA BANK - Current Account - 11 5016 9476	32,986,061	7,401,497	14,275,810	32,986,061	7,401,497	14,275,810
ABSA BANK - Current Account - 40 5735 0474	157,765	160,428	1,308,114	157,765	160,428	1,308,114
Total	33,143,826	7,561,925	15,583,924	33,143,826	7,561,925	15,583,924

13. Finance lease obligation

Minimum lease payments due

- within one year	315,303	576,622
- in second to fifth year inclusive	-	316,458
	315,303	893,080
less: future finance charges	(11,555)	(71,985)
Present value of minimum lease payments	303,748	821,095

Present value of minimum lease payments due

- within one year	303,748	516,193
- in second to fifth year inclusive	-	304,902
	303,748	821,095

Non-current liabilities

Current liabilities	303,748	517,382
	303,748	821,129

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 10% (2019: 10%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Defaults and breaches

In the current financial year the municipality never defaulted and/or breached any terms and conditions of the lease contract.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
-----------------	------	------

13. Finance lease obligation (continued)

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	303,748	821,095
------	---------	---------

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note .

The fair value of finance lease liabilities approximates their carrying amounts.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Capricorn District Municipality Grant (CDM)	135,395	67,895
National Skills Fund Grant (NSF)	157,764	160,428
Integrated National Empowerment Programme Grant (INEP)	6,630,008	776,156
Energy Efficient Municipal Grant (EEDMP)	134,753	134,753
	7,057,920	1,139,232

Movement during the year

Balance at the beginning of the year	1,139,232	699,785
Additions during the year	5,918,688	439,447
	7,057,920	1,139,232
Non-current liabilities	-	-
Current liabilities	7,057,920	1,139,232
	7,057,920	1,139,232

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

15. Other financial liabilities

At amortised cost

Unallocated deposits	3,072,534	2,675,395
----------------------	-----------	-----------

This relate to monies received from individuals and companies with either incorrect reference numbers or without references which cannot be allocated when identified as received for less than three years. This relates to monies both received in current year and prior years, the municipality policy is to recognise the monies received unallocated as revenue when it is not claimed for more than a period of three years. All those monies which have been received for more than three years, an advert in the local newspaper is done to allow those who deposited monies in the municipality account to come forward and provide supporting documentations so that the municipality can allocate funds for a reasonable period of time. Failure of individuals to provide evidence will result in the municipality recognising the monies as revenue.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
-----------------	------	------

15. Other financial liabilities (continued)

Current liabilities

At amortised cost	3,072,534	2,675,395
-------------------	-----------	-----------

16. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	10,233,214	2,592,057	-	12,825,271
Provision for leave	8,798,104	1,936,792	(938,526)	9,796,370
Provision for long-service awards	5,827,618	906,228	(583,259)	6,150,587
Provision for performance bonus	339,072	275,254	-	614,326
	25,198,008	5,710,331	(1,521,785)	29,386,554

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Provision for restoration cost for landfill site	9,055,115	1,178,099	-	10,233,214
Provision for leave	8,725,830	72,274	-	8,798,104
Provision for long-service awards	5,111,351	1,209,585	(493,318)	5,827,618
Provision for performance bonus	316,861	22,211	-	339,072
Total Provisions	23,209,157	2,482,169	(493,318)	25,198,008

Non-current liabilities	6,764,913	6,166,690
Current liabilities	22,621,641	19,031,318
	29,386,554	25,198,008

The provision represents management's best estimate of the municipality's liability on the experience and knowledge.

Provision for leave

Provision is made for employees who are having leave credit at the end of the financial period and is provided up to 48 days in terms of SALBC agreement. The leave provision is calculated by taking the total basic salary divide by number of working days per year multiply by the number of days unused/remaining.

Provision for performance bonus

Performance bonus is the benefit paid to the senior management after performance assessment are being done and expectations or targets are met. Performance bonus is calculated at 14% of total package.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

16. Provisions (continued)

Provision for long - service awards

The employees of Blouberg Municipality qualifies for the following long service award additional leave for various periods of uninterrupted service:

- 10 years uninterrupted service: 10 working day's leave
- 15 years uninterrupted service: 20 working day's leave
- 20 years uninterrupted service: 30 working day's leave
- 25 years uninterrupted service: 30 working day's leave
- 30 years uninterrupted service: 30 working day's leave
- 35 years uninterrupted service: 35 working day's leave
- 40 years uninterrupted service: 30 working day's leave
- 45 years uninterrupted service: 30 working day's leave

The Long Service Awards are defined benefits plans. As at year end 30 June 2020 181 (2019: 186) employees were eligible for Long Service Bonuses.

The Employer's Unfunded Accrued Liability as at 30 June 2020 is estimated at R6 150 587 (2019: R5 827 618). The current cost for the year ending 30 June 2020 is estimated at R522 622 (R523 847).

Key assumptions used

Rate of interest

Discount rate	8.25 %	8.25 %
CPI	4.47 %	4.47 %
General salary inflation (long term)	5.47 %	5.47 %
Net effective Discount Rate applied to Long Service Bonuses	2.64 %	2.64 %

The amounts recognised in the statement of the financial position are as follows:

Present Value of Fund Obligation

Reconciliation of present value of fund obligation:

Present value of fund obligation	5,827,618	5,111,351
Current service costs	522,622	523,847
Interests costs	456,719	419,776
Benefits paid	(583,259)	(493,318)
Actuarial (gains)/losses	(73,113)	265,962
Balance as at 30 June	6,150,587	5,827,618

Present value

Balance as at 30 June	6,150,587	5,827,618
-----------------------	-----------	-----------

The actual expense cost for the year ending 30 June 2020, and the net change in the accrued obligation over the financial year ending 30 June 2020 are determined as follows:

Net change in the accrued obligation

Current service cost	522,622	523,847
Current interest cost	456,719	419,776
Actuarial (gain)/loss	(73,113)	265,962
Net expense recognised in income statement as at 30 June 2020	906,228	1,209,585
Actual benefit payments	(583,259)	(493,318)
Net change in the accrued liability over the financial year ending	322,969	716,267

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

16. Provisions (continued)

Environmental rehabilitation provision

The Alldays and Senwabarwana land fill sites are permitted facilities in terms of section 20 of Environmental Conservation Act 73 of 1989. The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation discounted at 10%, which is the prime rate as at June 2018. Both landfill sites are expected to be in operation for a period of 5 years from July 2019.

17. Payables from exchange transactions

Trade payables	8,492,924	17,007,520
Payments received in advance	4,416,700	3,575,976
Retentions	14,490,535	14,313,487
13th cheque provision	2,173,222	2,118,302
Prepaid electricity accrual	6,529	130,850
Sale of stands deposits	192,479	171,610
Other Creditors	1,787,364	1,270,716
Landfill site	4,942,105	4,835,719
	36,501,858	43,424,180

Included in payables from exchange transactions is the amount of R- (2019: R-) relating to monies paid by customers for the sale of stands. Once ownership has been transferred to customers, a reallocation will be made from payables to sale of stands in the statement of financial performance thereby realising the revenue from sale of stands.

18. Revenue

Service charges	29,269,232	22,984,085
Rental of facilities and equipment	799,051	684,825
Licences and permits	3,372,309	3,699,166
Photocopies & Electricity Fines - Illegal connections	28,626	43,807
CDM - Commissions received	362,884	481,245
Cemetery, Burial and Plans approval fees	145,443	140,643
Valuation services	288	2,535
Interest charged on Outstanding Debtors	2,222,812	1,286,914
Sale of Inventory - Sites/Land	528,923	3,250,360
Cattle Grazing	50,634	52,942
Interest received - Investments & Current accounts	1,452,860	1,307,931
Property rates	25,567,365	24,056,427
Government grants & subsidies	248,704,311	234,299,022
Fines	1,018,920	1,784,480
	313,523,658	294,074,382

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	29,269,232	22,984,085
Rental of facilities and equipment	799,051	684,825
Licences and permits	3,372,309	3,699,166
Photocopies & Electricity Illegal connections	28,626	43,807
CDM - Commissions received	362,884	481,245
Cemetery, Burial & Plans approval fees	145,443	140,643
Valuation Services	288	2,535
Interest on Outstanding Debtors	2,222,812	1,286,914
Sale of Inventory - Sites/Land	528,923	3,250,360
Cattle Grazing	50,634	52,942
Interest received - investment	1,452,860	1,307,931
	38,233,062	33,934,453

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

18. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates

25,567,365 24,056,427

Transfer revenue

Government grants & subsidies

248,704,311 234,299,022

Fines

1,018,920 1,784,480

275,290,596 260,139,929

19. Service charges

Sale of electricity

28,093,006 22,470,453

Sewerage and sanitation charges

896,229 249,046

Refuse removal

279,997 264,586

29,269,232 22,984,085

20. Rental of facilities and equipment

Facilities and equipment

Rental of facilities

799,051 684,825

21. Other revenue

Electricity Fines - illegal connections

28,626 43,807

CDM - Commissions received

362,884 481,245

Cemetery and Burial fees

145,443 140,643

Valuation Services

288 2,535

Interest charges on overdue account

2,222,812 1,286,914

Cattle Grazing

50,634 52,942

2,810,687 2,008,086

22. Sale of inventory - Sites/Stand

Sale of inventory - Sites/Stand

528,923 3,250,360

23. Interest received - investment

Interest revenue

Investments

1,452,860 1,307,931

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
24. Property rates		
Rates received		
Residential	1,801,865	1,625,118
Commercial	2,097,171	1,980,537
State-owned	20,304,348	19,155,045
Small Holdings & Farms	1,363,981	1,295,727
	25,567,365	24,056,427
Valuations		
Residential	467,408,820	467,408,820
Commercial	362,313,000	362,313,000
State-owned	376,160,000	376,160,000
Municipalities	54,244,200	54,244,200
Other	5,620,500	5,620,500
Small Holdings and farms	3,199,802,565	3,199,802,565
	4,465,549,085	4,465,549,085

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2016. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

25. Government grants and subsidies

Operating grants

Equitable share	186,309,000	167,730,000
Financial Management Grant (FMG)	2,534,000	2,534,000
Municipal Systems Improvement Grant (MSIG)	-	1,055,000
Expanded Public Works Programme (EPWP)	1,072,000	1,089,000
Capricorn District Municipality Grant (CDM)	2,932,500	3,232,105
National Skills Fund Grant (NSFG)	-	6,783,826
Disaster Relief Grant	358,000	-
National Skills Fund Grant (NSF)	2,663	-
	193,208,163	182,423,931

Capital grants

Municipal Infrastructure Grant (MIG)	44,350,000	43,491,000
Integrated National Empowerment Programme (INEP)	9,146,148	3,518,844
Energy Efficiency Demand Management Grant (EEDMG)	2,000,000	4,865,247
	55,496,148	51,875,091
	248,704,311	234,299,022

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Financial Management Grant (FMG)

Current-year receipts	2,534,000	2,534,000
Conditions met - transferred to revenue	(2,534,000)	(2,534,000)
	-	-

Municipal Systems Improvement Grant (MSIG)

Current-year receipts	-	1,055,000
Conditions met - transferred to revenue	-	(1,055,000)
	-	-

Expanded Public Works Programme (EPWP)

Current-year receipts	1,072,000	1,089,000
Conditions met - transferred to revenue	(1,072,000)	(1,089,000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Capricorn District Municipality (CDM)

Balance unspent at beginning of year	67,895	-
Current-year receipts	3,000,000	1,650,000
Conditions met - transferred to revenue	(2,932,500)	(3,232,105)
Other	-	1,650,000
	135,395	67,895

Conditions still to be met - remain liabilities (see note 14).

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
25. Government grants and subsidies (continued)		
National Skills Fund Grant (NSF)		
Balance unspent at beginning of year	160,428	699,786
Current-year receipts	-	6,244,469
Conditions met - transferred to revenue	(2,664)	(6,783,827)
	157,764	160,428
Conditions still to be met - remain liabilities (see note 14).		
Integrated National Empowerment Programme (INEP)		
Balance unspent at beginning of year	776,156	-
Current-year receipts	15,000,000	4,295,000
Conditions met - transferred to revenue	(9,146,148)	(3,518,844)
	6,630,008	776,156
Energy Efficient and Demand Management Grant (EEDMG)		
Balance unspent at beginning of year	134,753	-
Current-year receipts	2,000,000	5,000,000
Conditions met - transferred to revenue	(2,000,000)	(4,865,247)
	134,753	134,753
Municipal infrastructure Grant (MIG)		
Current-year receipts	44,350,000	43,491,000
Conditions met - transferred to revenue	(44,350,000)	(43,491,000)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
Disaster Relief Grant		
Current-year receipts	358,000	-
Conditions met - transferred to revenue	(358,000)	-
	-	-
Conditions still to be met - remain liabilities (see note 14).		

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
26. Employee related costs		
Basic Salary	61,862,031	58,481,340
Bonus	5,452,341	4,651,477
Medical aid - company contributions	4,183,758	3,881,927
Unemployed Insurance Fund (UIF)	348,369	398,491
Skills Development Levy (SDL)	858,771	920,899
Leave pay provision charge	-	72,274
Leave payout	1,485,528	524,316
Pension Fund contributions	13,760,547	12,828,426
Travel, motor car, accommodation, subsistence and other allowances	15,014,716	14,171,800
Overtime payments	2,208,536	2,393,117
Long-service awards	522,622	523,847
Acting allowances	393,046	195,937
Housing benefits and allowances	177,015	156,016
Daily Allowances	65,791	66,558
Bargaining Council	20,588	19,766
Standby allowance	533,869	586,749
Telephone & CellPhone allowances	2,047,699	1,881,118
	108,935,227	101,754,058
Remuneration of municipal manager		
Annual Remuneration	734,828	860,636
Car Allowance	293,326	286,070
13th Cheque	60,809	-
Contributions to UIF, Medical and Pension Funds	134,165	130,928
Other allowances	75,569	26,071
Back pay	35,982	-
	1,334,679	1,303,705
Remuneration of chief finance officer		
Annual Remuneration	608,214	634,156
Car Allowance	219,733	191,549
13th Cheque	50,600	22,211
Contributions to UIF, Medical and Pension Funds	136,355	99,493
Other allowances	64,593	22,241
Back pay	17,886	-
	1,097,381	969,650

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

26. Employee related costs (continued)

Remuneration of Senior Management

There is no acting allowances paid during the year on the Director Technical Services because the managers acting on the position were earning above the minimum entry notch for the directors.

Remuneration of Senior Management 2020 (included in employee related cost)	Technical Services	Economic Development and Planning	Corporate Services	Community Services	Total
Annual Remuneration	-	601,453	608,214	455,396	1,665,063
Leave Pay out	-	-	-	68,006	68,006
13th Cheque	-	49,927	50,600	67,466	167,993
Travel, motor car, accomodation, substance and other allowances	-	217,042	219,733	163,554	600,329
Contributions to UIF, Medical and Pension Funds	-	64,145	145,071	109,458	318,674
Other allowances	-	29,702	64,593	48,303	142,598
Back pay	-	143,607	17,886	16,098	177,591
	-	1,105,876	1,106,097	928,281	3,140,254

Remuneration of Senior Management 2019	Technical Services	Economic Development and Planning	Corporate Services	Community Services	Total
Annual Remuneration	-	693,594	667,889	640,559	2,002,042
Acting allowance	14,398	-	-	-	14,398
Travel, motor car, accomodation, substance and other allowances	-	234,375	215,216	213,006	662,597
Contributions to UIF, Medical and Pension Funds	-	131,380	99,588	99,588	330,556
	14,398	1,059,349	982,693	953,153	3,009,593

27. Remuneration of councillors

Mayor	904,075	872,029
Chief Whip	688,990	676,157
Executive Committee Members	2,913,020	3,298,251
Speaker	723,557	706,817
Councillors	11,746,038	10,633,738
	16,975,680	16,186,992

In-kind benefits

The Mayor, Chief Whip, Speaker and three Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

28. Depreciation and amortisation

Property, plant and equipment	35,553,908	35,111,135
Intangible assets	171,472	146,447
	35,725,380	35,257,582

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
29. Finance costs		
Finance leases	60,435	661,189
Long Service Awards	456,719	419,776
	517,154	1,080,965
The interest paid is made up of Long service award and the finance lease on the office equipment.		
30. Provision for debt impairment		
Debt impairment	11,679,385	(2,313,302)
31. Bulk purchases		
Electricity - Eskom	33,970,658	31,566,419
32. Contracted services		
Presented previously		
Information Technology Services	-	1,698,644
Fleet Services	347,200	459,520
Operating Leases	1,259,137	959,789
Other Contractors	15,730,727	11,227,816
	17,337,064	14,345,769

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
33. General expenses		
Administration and management fees	-	2,810,526
Advertising	1,031,132	507,850
Audit fees	3,146,201	3,660,739
Bank charges	416,583	395,849
Provision for restoration costs of landfill site	2,698,443	855,655
EPWP costs	3,278,082	3,122,974
Consulting and professional fees	11,302,420	10,605,969
Land donation to CDM	546,000	-
Workmens Compensation Costs	310,389	452,900
PMS Cost	286,821	569,436
MPAC expenses	380,562	485,751
Insurance	836,507	771,755
Conferences, Accomodation and seminars	1,169,454	2,413,274
IT expenses	1,000,129	375,616
NSFG Costs	-	6,153,863
Fuel Costs	2,384,799	5,697,000
Postage Costs	5,015	12,440
Printing and stationery	1,903,760	1,902,254
Promotions	144,323	280,979
Master Plans for LDP	815,215	818,194
Repairs and maintenance	3,380,589	2,314,459
Poverty Alleviation	167,880	497,510
Staff welfare	13,085	1,630,956
Subscriptions and membership fees	2,296,517	2,609,835
Telephone and fax	1,745,606	1,636,968
Training Costs	334,714	622,124
Subsistence and travel	10,172,716	13,015,797
Group Insurance	113,308	132,765
Special Focus	128,466	114,741
Tourism event promoters	92,500	-
Audit committee fees	871,114	481,566
Bursaries	82,970	180,980
Public participation	540,910	1,379,866
Licence fees - vehicles	70,857	120,294
Refreshments	191,846	242,357
Remuneration of ward committee members	3,945,107	3,905,080
Free basic services electricity	1,272,839	1,016,643
Support of ward committee	1,469,053	1,329,046
Sport Development	20,500	655,853
Other expenses	8,223,124	6,155,137
	66,789,536	79,935,001
34. Auditors' remuneration		
Fees	3,146,201	3,660,739

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
35. Cash generated from operations		
Surplus	18,260,188	13,603,050
Adjustments for:		
Depreciation and amortisation	35,725,380	35,964,208
Loss on sale of assets and liabilities	114,439	119,130
Fair value adjustments	860,000	-
Finance costs - Finance leases	60,435	661,189
Debt impairment	11,679,385	(2,313,302)
Actuarial loss	(8,850)	-
Movements in provisions	4,188,548	1,988,851
Changes in working capital:		
Inventories	314,895	2,508,561
Receivables from exchange transactions	1,368,595	(2,111,462)
Consumer debtors	(10,281,813)	(297,150)
Receivables from non-exchange transactions	16,949,334	(24,067,911)
Payables from exchange transactions	(6,922,323)	5,552,314
VAT	2,016,132	10,425,464
Unspent conditional grants and receipts	5,918,688	439,447
	80,243,033	42,472,389

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
36. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	8,684,724	1,302,346
Total capital commitments		
Already contracted for but not provided for	8,684,724	1,302,346
Authorised operational expenditure		
Already contracted for but not provided for		
• Security services	41,341,007	7,618,328
• Consulting services	-	885,613
• Special Development Framework	-	111,755
• Operation and Maintenance of Senwabarwana Landfill site	7,827,500	-
• Township Registration	1,783,368	-
• Establishment of Bochum, Alldays and Senwabarwana	1,468,438	2,225,062
• Mobile Communication Services	1,523,346	2,225,108
• MSCOA Project Management	-	1,740,401
• Supply and Installation of Electronic Record Management System	616,193	616,193
	54,559,852	15,422,460
Total operational commitments		
Already contracted for but not provided for	54,559,852	15,422,460
Total commitments		
Total commitments		
Authorised capital expenditure	8,684,724	1,302,346
Authorised operational expenditure	54,559,852	15,422,460
	63,244,576	16,724,806

This committed expenditure relates to Security, consulting, growth strategy and special development services and property, plant and equipments and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
-----------------	------	------

37. Contingencies

Litigation claims are in progress against the municipality relating to various matters who alleges that the municipality has infringed on certain laws and regulations and they are seeking damages totaling 5,025,901. The municipality's lawyers and management consider the likelihood of the actions against the municipality being successful is unlikely, and the case should be resolved within the next two years.

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims.

There is no reimbursement from any third parties for potential obligations of the municipality.

Contingent Liabilities

Below is a detail explanation of the nature and financial impact:

1. Kgamaki Jonas Mangweta: Case No. LP/PLK/RC 499/2015 - The plaintiff is suing the municipality for defamation. The matter is still pending due to the plaintiff not having legal representative.	300,000	300,000
2. Machuene Charlese Keetse - The plaintiff is suing the Municipality and the Minister of Police for unlawful arrest and detention. The matter is still pending with no indication of the court date.	300,000	300,000
3. Joseph Manaka - The plaintiff is suing both the municipality and Eskom after he was electrocuted by a half fallen electrical pole after a disaster caused by heavy rainfalls and Winds.	3,800,000	3,800,000
4. IN-SUTU Consulting cc - The plaintiff is suing various entities including the Municipality as the Eighth defendant in a contractual dispute relating to a water boreholes drilled around the Municipality's jurisdiction. The Municipality was not party to the contract but merely involved for the sake of formality in terms of the Uniform Rules of Court. The matter is still pending as we await the Applicant to apply for a court date. However it looks like the plaintiff has abandoned the matter. The matter has been settled.	-	223,419
5. Overland cruises and logistics - The plaintiff is suing the Premier of Limpopo and the Municipality for non-payment of service rendered, the Premier's office procured transport services to ferry residents of Blouberg Municipality to Polokwane during a memorial service of the late former President Nelson Mandela. N J Morero Attorneys has been appointed to act on behalf of the municipality. Still waiting for the matter to be set down.	574,800	574,800
Tebogo Mokoboti - The plaintiff is suing the Municipality for damages which she claim to have suffered as a results of a collision which between her vehicle and the Council's grader. The matter is still pending. Awaiting further particulars.	51,101	51,101
Masilo Rapetsoa - The plaintiff seeks is suing the Municipality after his cattle dies after allegedly eating something from the landfill site. The Municipality appointed N.J Morero Attorneys to defend the matter. The matter has been settled.	-	180,000
	5,025,901	5,429,320

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
38. Related parties		
Relationships		
Controlled by the same government - legislatively (MFMA Act)	Department of Transport	
Controlled by the same government - legislatively (MFMA Act)	Capricorn District Municipality (CDM)	
The municipality is involved in an agency relationship with Capricorn District Municipality for the provision of water services and also receives a Grant from the Municipality.		
Related party balances		
The balance relate to the unspent Grant received from Capricorn District Municipality for the period ended 31 March 2019 for the use of Landfill sites. The current year Grant received was fully spent.		
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Capricorn District Municipality - (Water)	(2,150,248)	(1,498,066)
Capricorn District Municipality - (Commission)	362,884	481,245
Department of Transport	5,766,277	5,031,843
CDM Grant Debtor	-	1,650,000
Provision for doubtful debts related to outstanding balances with related parties		
Department of Transport - Traffic fines	(4,747,357)	(3,247,363)
Expenses recognised in respect of bad or doubtful debts		
Department of Transport - Traffic fines	1,499,994	850,970
Related party transactions		
Commission received from related parties		
Capricorn District Municipalities (CDM) - Water	(362,884)	(244,088)
Traffic fines, permits and Licences		
Department of transport - Fines	1,018,920	1,784,480
Department of transport - Licenses & Permits	3,372,309	3,699,166
Grants received from related parties		
Capricorn District Municipality (CDM)	(3,000,000)	(3,232,105)
Debtors balance with key management	Opening balance	Closing balance
Tshoshi M	4,084	4,084
Thamaga NM	3,459	3,459
Selamolela S	9,003	9,003
	16,546	16,546
The above executive members have balances included in the Receivables from exchange and non-exchange transactions relating to the assessment rates, refuse, water and interest charged on overdue accounts. Payables as and when the members pay to the municipality.		
Compensation to accounting officer and other key management		
Short-term employee benefits	2,066,698	2,007,099

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

38. Related parties (continued)

Key management information

Class	Description	Number
Chief Financial Officer	Mabote J	1
Executive Committee members	Refer below under councillors/Mayoral committee members	7
Mayor	Pheedi MS	1
Councillors	Refer below under Councillors/Mayoral committee members	34
Municipal Managers	Machaba MJ	1

Remuneration of management

Municipal Manager and Chief Financial Officer

2020

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Other benefits received	Total
Machaba MJ	734,828	60,809	368,895	134,165	35,982	1,334,679
Mabote NJ	608,214	50,600	284,326	136,355	17,886	1,097,381
	1,343,042	111,409	653,221	270,520	53,868	2,432,060

2019

Name	Basic salary	Other short-term employee benefits	Post-employment benefits	Total
Machaba MJ	860,638	312,141	130,928	1,303,707
Mabote NJ	634,156	213,096	122,398	969,650
	1,494,794	525,237	253,326	2,273,357

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

38. Related parties (continued)

Councillors/Executive Committee Members

2020

	Basic salary	Allowances	S & T	Total
Pheedi MS	624,090	279,985	1,742	905,817
Tshoshi MM	468,068	221,048	188,626	877,742
Thamaga MN	499,272	232,837	73,844	805,953
Mathidza SE	197,501	118,876	33,899	350,276
Makobela SR	468,068	221,048	164,004	853,120
Mashalane MS	468,068	221,048	126,253	815,369
Morapedi AM	468,068	221,048	145,277	834,393
Makhura MH	261,126	142,884	131,040	535,050
Rangata MJ	261,126	142,884	181,271	585,281
Maila MP	261,126	142,884	163,569	567,579
Ntlatla MW	261,126	142,884	147,963	551,973
Masekwameng MR	197,501	118,850	78,118	394,469
Raseruthe MA	197,501	118,850	112,281	428,632
Lehong MV	197,501	118,850	113,434	429,785
Tlouamma MM	197,501	118,850	77,178	393,529
Moetjie NT	197,501	118,850	165,788	482,139
Mojodo MD	197,501	118,850	156,012	472,363
Seema MI	197,501	118,850	113,343	429,694
Maifo ML	197,501	118,850	184,902	501,253
Mokobodi CS	197,501	118,850	66,507	382,858
Moshokoa MS	197,501	118,850	107,280	423,631
Murathi MS	197,501	118,850	112,585	428,936
Molema MN	197,501	118,850	111,678	428,029
Sabetha MJ	197,501	118,850	116,125	432,476
Makgakga JP	197,501	118,850	102,477	418,828
Ramoba MR	197,501	118,850	121,482	437,833
Sekgoloane MJ	253,460	139,987	166,219	559,666
Molokomme MM	197,501	118,850	112,607	428,958
Mphago MA	197,501	118,850	94,637	410,988
Mondingwana MG	197,501	118,850	125,195	441,546
Setwaba DS	197,501	118,850	133,621	449,972
Maleka NG	197,501	118,850	54,172	370,523
Magwadi RT	197,501	118,850	108,965	425,316
Madzhie AE	197,501	118,850	67,338	383,689
Selamolela S	197,501	118,850	134,492	450,843
Madibana SS	197,501	118,850	70,958	387,309
Phoshoko NC	197,501	118,850	73,875	390,226
Mabolola SJ	197,501	118,850	73,244	389,595
Chula MI	197,501	118,850	72,585	388,936
Morudu MF	197,501	118,850	69,461	385,812
Madibana MR	197,501	118,850	72,173	388,524
Madiope MT	197,501	118,850	75,945	392,296
Tefo LT	197,501	118,850	97,305	413,656
Tjumana MM	197,501	118,850	95,527	411,878
	10,811,131	6,030,613	4,794,997	21,636,741

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

38. Related parties (continued)

2019

Name	Basic salary	Allowances	S & T	Total
Pheedi MS	608,873	203,282	-	812,155
Tshoshi MM	456,656	152,663	152,711	762,030
Thamaga MN	487,100	162,810	147,277	797,187
Mathidza SE	192,686	64,672	85,634	342,992
Makobela SR	456,656	152,663	182,589	791,908
Mashalane MS	456,676	152,663	176,766	786,105
Morapedi AM	456,656	152,663	141,103	750,422
Makhura MH	254,759	128,466	156,011	539,236
Rangata MJ	254,759	85,345	200,520	540,624
Maila MP	254,759	128,466	132,888	516,113
Ntlatla MW	254,759	85,345	141,378	481,482
Masekwameng MR	192,686	64,672	59,424	316,782
Raseruthe MA	192,686	64,672	124,461	381,819
Lehong MV	192,686	64,672	144,903	402,261
Tlouamma NM	192,686	64,672	66,421	323,779
Moetjie NT	192,686	64,672	176,189	433,547
Mojodo MD	192,686	64,672	202,262	459,620
Seema MI	192,686	64,672	114,697	372,055
Maifo ML	192,686	64,672	195,798	453,156
Mokododi CS	192,686	64,672	38,566	295,924
Moshokoa MS	192,686	64,672	109,612	366,970
Murathi MS	192,686	64,672	127,840	385,198
Molema MN	192,686	64,672	126,640	383,998
Sebetha MJ	192,686	64,672	126,894	384,252
Makgakga JP	192,686	64,672	113,239	370,597
Ramoba MR	192,686	64,672	134,515	391,873
Sekgoloane MJ	247,280	126,827	147,546	521,653
Molokomme MM	192,686	64,672	121,003	378,361
Mphago MA	192,686	64,672	132,018	389,376
Modingwana MG	192,686	64,672	141,918	399,276
Setwaba DS	192,686	64,672	158,430	415,788
Maleka NG	192,686	64,672	78,427	335,785
Magwai RT	192,686	64,672	124,905	382,263
Madzhie AE	192,686	64,672	143,593	400,951
Selamolela S	192,686	64,672	90,794	348,152
Madibana SS	192,686	64,672	122,147	379,505
Phoshoko NC	192,686	64,672	65,603	322,961
Mabolola SJ	192,686	64,672	92,305	349,663
Chula MI	192,686	64,672	76,985	334,343
Morudu MF	192,686	64,672	74,426	331,784
Madibana MR	192,686	64,672	69,734	327,092
Madiope MT	192,686	64,672	115,087	372,445
Tefo LT	192,686	64,672	114,259	371,617
Tjumana MM	192,686	64,672	125,221	382,579
	10,547,571	3,665,369	5,372,739	19,585,679

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

38. Related parties (continued)

Management class: Senior management

2020

Name	Local Economic Development	Corporate Services	Community Services	Total
Annual remuneration	601,453	608,214	455,396	1,665,063
Leave pay out	-	-	68,006	68,006
13th Cheque	49,927	50,600	67,466	167,993
Travel, Motor Car, Accommodation	217,042	219,733	163,554	600,329
Contribution to UIF and Medical Aid	64,145	145,071	109,458	318,674
Other allowances	29,702	64,593	48,303	142,598
Back pay	143,607	17,886	16,098	177,591
	1,105,876	1,106,097	928,281	3,140,254

2019

Name	Technical Services	Local Economic Development	Corporate Services	Post- employment benefits	Total
Annual remuneration	-	693,594	667,889	640,559	2,002,042
Acting Allowances	14,398	-	-	-	14,398
Travel, Motor Car, Accommodation and other allowances	-	234,375	215,216	213,006	662,597
Contribution to UIF and Medical Aid	-	2,106	1,732	1,732	5,570
Contribution to Pension Funds	-	129,274	97,857	97,857	324,988
	14,398	1,059,349	982,694	953,154	3,009,595

39. Prior period errors

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Property, Plant and Equipment

Property Plant and Equipment as at 30 June 2019 was understated by R309 091 and R154 390. The misstatement was corrected by restating the opening balance. The error of R309 091 was as a result of invoice that were captured in the current financial period that relates to prior year WIP project and the R154 390 was due to the opening balances that were adjusted that were not agreeing to the .

VAT Receivable

VAT Receivable as at 30 June 2019 was understated by R50 552. The misstatement was corrected by restating the opening balance. The error was as a result of the invoices that were incorrectly captured in the incorrect financial period.

Payables from exchange transactions and Receivables from non-exchange transaction

Payables from exchange transactions as at 30 June 2019 were understated by R3 281 464. The misstatement was corrected by restating the opening balance. The error was as a result of the invoices that were not accrued for in the prior year financial period. The invoices relates to amount of R309 091 for property, plant and equipment WIP, R1 777 314 for general expenses that was not accrued for in the previous financial period and an equitable share of R1 063 859 was with held by National Treasury on behalf of the municipality, it also included R62 467 which relates to employee costs that were suppose to be refunded to the municipality and it was incorrectly classified under retentions in the previous financial period instead of Receivables from non-exchange transactions. The misclassification was corrected by mapping the amount under receivables.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

Finance lease obligation

Finance lease obligation as at 30 June 2019 was understated by R34. The misstatement was corrected by restating the opening balance.

Accumulated surplus

Accumulated surplus as at 30 June 2019 was understated by R286 230. The misstatement also includes R8 850 which was refunded for the services that were not provided. The payment was made through reducing the accumulated surplus. The misstatement was corrected by restating the opening balance. The error was as a result of general expenses that was not accrued for in the prior year financial period and property, plant and equipment opening balances adjustments and land inventory adjustments.

Cash flow

Cash flow from operating activities and Cash flow from investing activities were affected by R309 091 which was a result of the WIP transactions that were not recorded in the correct financial period.

Inventory

Inventory as at 30 June 2018 was understated by R22 000, R546 000 and R1 350 000 due to land inventory that was not included in the inventory register. The properties were identified in the beginning of the prior year due to the nature of the asset it was restated from year end 2018. The misstatement was corrected by restating the opening balance in 2019 financial period. Inventory as at 30 June 2019 was understated by R22 000, R546 000, R1 350 000 and R18 211. The R18 211 was due to incorrect calculations that were used on the cost of land that was sold.

Contingencies

Contingencies as at 30 June 2019 were understated by R231 101. The misstatement was corrected by restating the opening balance. The error was as a result of 2 cases that were not included in the prior year financial period.

Employee costs and General expenses

Employee cost as at 30 June 2019 were overstated by R494 410 which relates to travel and subsistence expenses that were incorrectly mapped under General expenditure which was understated by the same amount. The misclassification was corrected by mapping the amounts under General expenses.

CDM Commission

CDM Commission was overstated with an amount of R864 755 as at 30 June 2019 the amount relates to the CDM Commission that was not recognised in the prior periods from 2016 financial period. The misstatement was corrected by adjusting the CDM Commission income account and the Accumulated Surplus.

Statement of financial position

2018

	Note	As previously reported	Correction of error	Restated
Inventories		7,389,355	1,918,000	9,307,355
Property, plant and equipment		66,401,094	154,390	66,555,484
Receivables from exchange transactions		770,634	864,755	1,635,389
Accumulated surplus		(957,097,022)	(2,937,145)	(960,034,167)
		(882,535,939)	-	(882,535,939)

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

2019

	Note	As previously reported	Correction of error	Reclassification on	Restated
VAT Receivable	10	3,212,843	50,552	-	3,263,395
Receivables from non-exchange transactions	17	90,207,434	-	1,126,326	91,333,760
Inventories	7	4,862,583	1,936,211	-	6,798,794
Property, plant and equipment	4	909,332,649	462,557	-	909,795,206
Intangible assets	5	543,034	927	-	543,961
Payables from exchange transactions	17	(40,142,717)	(2,155,138)	(1,126,326)	(43,424,181)
Finance lease obligation	13	(303,713)	(34)	-	(303,747)
Accumulated surplus		(973,342,142)	(286,230)	-	(973,628,372)
		(5,630,029)	8,845	-	(5,621,184)

Statement of financial performance

2019

	Note	As previously reported	Correction of error	Reclassification on	Restated
CDM Commissions received	18	1,346,000	(864,755)	-	481,245
Employee cost	26	104,521,224	-	(494,410)	104,026,814
General expenditure	33	77,663,277	1,777,314	494,410	79,935,001
Surplus for the year		183,530,501	912,559	-	184,443,060

Cash flow statement

2019

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Payments to Suppliers		(131,884,032)	16,527,236	(115,356,796)
Cash receipts from rate payers and other		38,222,788	4,193,579	42,416,367
Taxation		20,243,866	(20,243,866)	-
Employee costs		(120,708,216)	(494,410)	(121,202,626)
		(194,125,594)	(17,461)	(194,143,055)
Cash flow from investing activities				
Property, plant and equipment	4	46,522,604	309,091	46,831,695
Movement in other investments		-	1,114	1,114
		46,522,604	310,205	46,832,809
Cash flow from financing activities				
Finance lease payments		(467,553)	(661,155)	(1,128,708)

Other notes to the financial statements

	Note	As previously reported	Correction of error	Restated
Contingencies	37	5,198,219	231,101	5,429,320

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
-----------------	------	------

40. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	35,451,225	-	-	-
At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	39,413,841	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

41. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of 991,888,560 and that the municipality's total liabilities exceed its assets by 991,888,560.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality to remain in force for as long as it takes to restore the solvency of the municipality.

42. Events after the reporting date

The municipality have not identified any material non-adjusting events after the reporting date relating to the financial period then ended 30 June 2020.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

43. Impact of COVID-19

The World Health Organisation declared the outbreak of COVID-19 a global pandemic during March 2020. As COVID-19 started to spread around the world governments implemented various measures to contain the spread of the virus. In many countries this resulted in the temporary closure of businesses and restrictions on the movement of people and goods. The pandemic has had a significant impact on the global economy in terms of growth and unemployment. The Municipality's country of trading, South Africa has been hit hard by lockdown regulations.

The South African government declared a nationwide lockdown with effect from 26 March 2020, requiring all non-essential businesses to close temporarily. South African lockdown regulations have since been relaxed and many parts of the economy were allowed to reopen from 1 May 2020, including the Local Government's limited operations.

Under the initial Stage 5 lockdown which was in place from 26 March 2020 to 16 April 2020 and was extended from 16 April 2020 to 1 May 2020, the operations of the Municipality, apart from maintenance, was shut down. During this shutdown, the Municipality's operations largely came to a halt and the operations were not fully operational other than deploying a limited number of employees into the system, although the Municipality still paid the staff's salaries.

It is off-course impossible to predict when normality will return, and the country will be able to re-commence normal economic activity. The Municipality has been affected with regards to lost collection revenue for the services the Municipality provide to the public in the area. This was a result of economic hardships such as increase in unemployment which resulted in reduced income to spend and also limited economic activities.

The Municipality acted swiftly and decisively to mitigate the impact of COVID-19 on its operations, including steps to reduce operational expenditure and conserve cash, access available government support schemes, and to minimise the disruption of account collections. In addition, strict COVID-19 protocols have been implemented across all areas of operation to ensure the safety of employees and customers. Notwithstanding these measures, the pandemic has had a severe impact on the Municipality's performance for the current period, most notably on revenue generation. These impacts are covered in more detail throughout the annual financial statements. The impact of the pandemic on the Municipality's significant judgements and estimates applied in the preparation of its financial statements is discussed in the notes.

While the uncertainty around COVID-19 is expected to continue for many months ahead, the Municipality's strong balance sheet and ability to manage margins and costs effectively positions it to succeed in these challenging times.

44. Unauthorised expenditure

Opening balance as previously reported	-	-
Opening balance as restated	-	-
Add: Expenditure identified - current	3,348,006	-
Less: amount written off	-	-
Closing balance	3,348,006	-

Unauthorised expenditure for the 2020 financial year under review amounts to R3 348 006 (2019: R -) which was a result of provision for impairment on the debtors which was more than budgeted. During the financial year under review, the council writes off expenditure of an amount of R- (2019: R-) relating to the prior years unauthorised expenditure.

45. Fruitless and wasteful expenditure

Opening balance as previously reported	3,415	286,631
Correction of prior period error	-	2,393
Opening balance as restated	3,415	289,024
Add: Expenditure identified - current	-	1,022
Less: Amounts recoverable - current	(2,393)	-
Less: Amount written off - current	-	(286,631)
Closing balance	1,022	3,415

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

45. Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure is as a result of interest expenses incurred due to late payments of supplier invoice. It was resolved by MPAC that the amount of R2 393 which was paid to an employee as normal time instead of overtime be recovered from the employee concerned and the current year amount of R1 022 is still under investigation and decision will be taken once the outcome of the investigation is known.

46. Irregular expenditure

Opening balance as previously reported	12,586,204	13,959,006
Correction of prior period error	-	(1,339,400)
Opening balance as restated	12,586,204	12,619,606
Add: Irregular Expenditure - current	7,946,282	25,292,789
Less: Amount written off - current	(20,532,486)	(25,326,191)
Closing balance	-	12,586,204

Amounts written-off

Opening Balance: 12,586,204.00

The Municipality has an opening balance of R12, 586,204.00 that is composed of R10, 457,398.00 and R2, 091,006.00 from MIG Road Infrastructure and Vat Recovery respectively.

An amount of R12, 586,204.00 was discovered by AGSA during Audit Execution of 2018/2019 financial year was also written off by the council. (Refer to resolution C (116)2019/2020). This is because of the followed investigation processes by the appointed council committee (MPAC).

Current Year Expenditure: R7, 946,282.00

The current year irregular expenditure amount is because of Security Services tender that was found by AGSA in 2016/2017 financial year. In 2017/2018 and 2018/2019 the council has written off the Irregular Expenditure pertaining to the said security services tender through resolution C145 and C21 respectively. The same council resolution is used as and when the expenditure is incurred in line with the security services tender. Therefore the municipality has written off an amount of R7, 946,282.00 as it was incurred the year under review.

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,337,728	1,244,343
Amount paid - current year	(1,337,728)	(1,244,343)
	-	-

Audit fees

Current year subscription / fee	3,146,201	3,660,739
Amount paid - current year	(3,146,201)	(3,660,739)
	-	-

The difference relate to an accrual raised for an invoice which was paid and not reversed in the prior year.

PAYE and UIF

Current year subscription / fee	22,727,772	18,772,964
Amount paid - current year	(22,727,772)	(18,772,964)
	-	-

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
47. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Current year subscription / fee	25,166,704	20,047,610
Amount paid - current year	(25,166,704)	(20,047,610)
	-	-
VAT		
VAT receivable	1,247,263	3,263,395

VAT output payables and VAT input receivables are shown in note .

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

Water services and gym equipment Plant Machinery were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Supplier name	Reason	Amount
Workshop Electronics - Vehicle Testing Equipments	Sole Provider for the service	19,345
Pin Afrika Consulting Engineers - Purchase of Transformers (32 KVA Makgari and 16 KVA Ga-lekgwara Village)	Emergency(Co mmunity was without electricity)	101,772
Malapane Enterprise - Fixing of Water Pump	Emergency(Mu nicipality was without Water)	23,000
Pin Afrika Consulting Engineers - Purchase of Transformers (50 KVA Ga-ramaswikana Village plus 11M pole and 3 x Surge arresters)	Emergency(Co mmunity was without electricity)	128,096
BB Truck & Tractor Service(Pty)ltd - Purchase of Truck Parts for BVM 392 L and DXG 527 L	Sole Provider for the service	55,139
Lefokane Consulting and Project Management - Purchase of Transformers (50 KVA Ga-Nailana Village plus and 3 x hV Surge arresters)	Emergency(Co mmunity was without electricity)	125,539
Bell (Pty)Ltd - Fixing and Servicing 2 x TLBs	Sole Provider for the service	111,893
Madjabeng Training Academy - Training of 5 Peace Officers	Sole Provider for the service(Govern ment Institution)	13,495
NTR Investments (Pty)Ltd - Purchase of Sanitizers	Emergency for Covid-19	57,200
Conlog(Pty)LTD - Procurement of 194 x Faulty Meters	Sole Provider for the service	199,059
Gold Circle (Pty)Ltd - Purchase of Transformer (32 KVA Kgokonyane Village plus and 3 x hV Surge arresters)	Emergency(Co mmunity was without electricity)	85,000
Pin Afrika Consulting Engineers - Purchase of Transformers (16 KVA and 2 Surge arrestors at Cracow Village)	Emergency(Co mmunity was without electricity)	51,608
Henry Schein Dental Warehouse - Purchase of Sanitizers and Hand gloves for Covid -19 Emergency	Emergency for Covid-19	230,937
Khutela Carpentry and Maintenance - Supply and Installation of Floor Tiles at Main Office	Impossible to advertise due to Covid-19	34,826
Solly and Tumi Construction & Projects cc - Purchase of 30 x Thermometers	Emergency for Covid-19	73,500

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
48. Unauthorised expenditure (continued)		
CTP LTD Nothern Media Group - IDP / Budget and Valuation roll advert	Only local News paper available(sole provider)	5,170
Batsibi Technologies(PTY)LTD - CISCO VPN Application	Impossible to advertise due to Covid-19 Regulations	76,396
SABC - IDP and Budget Presentation on national radio station	Impossible to advertise due to Covid-19	64,400
Mohodi Commnity Radio Station - IDP and Budget Presentation on local radio station	Impossible to advertise due to Covid-19	45,000
SMT Care Centre (Pty)Ltd - Supply and Delivery of 15 x Sanitizer Stands	Emergency for Covid-19	59,850
Mpei Holding - Supply and Delivery of 11 x Disinfection Basins	Emergency for Covid-19	69,000
Kwena Wa tlou - Supply and Delivery of 4 x Sanitzers booth	Emergency for Covid-19	160,000
Government Printing - Inspection of Supplementary Valuation Roll	Government Entity	2,018
CTP LTD Nothern Media Group - Advert for Final IDP Council Meeting	Only local News paper available(sole provider)	2,450
Voltex PTY(Ltd) - Purchase of Link Stick	Link Stick urgently needed in order for the technicians to attend to maintenance calls	11,817
Med Golding Consultants - Provision of Audit Services for landfill Sites	Impossible to advertise due to Covid-19	198,280
Abomark Travelling - Supply and Delivery of Cleaning Material	Impossible to advertise due to Covid-19	159,770
SMT Care Centre (Pty)Ltd - Rental of 9 Toilets for 5 days at Showground for community queing to enter at Shoping complex	Emergency for Covid-19	63,250
Subtotal		<u>2,227,810</u>
		2,227,810

49. Distribution Losses

Electricity	3,696,940	3,054,194
-------------	-----------	-----------

The municipality purchased units 20 966 321 (2019: 21 321 325 units) from Eskom and sold 18 735 868 units (2019: 19 177 731 units) resulting in a difference of 2 230 453 units (2019: 2 143 594 units) between the purchases and sales. This amounts to a distribution loss of 10.64% (2019: 10.05%).

50. Explanation of Variances on Actual Costs Versus Budgeted Costs

Note 1 - The decrease is as a result of non-payment by business customers and CDM boreholes.

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

50. Explanation of Variances on Actual Costs Versus Budgeted Costs (continued)

Note 2 - The decrease in license permits and other income line items was due to the effects of lockdown regulations which resulted in reduced activities.

Note 3 - The increase is as a result of Interest charged on outstanding debts for government properties which was not included in the budgeted figure.

Note 4 - The decrease is due to budgeting on disposal of land (Alldays sites)

Note 5 - The decrease is due to availability of cash in the bank and interest rate received from the bank for the purpose of investing.

Note 6 - The decrease is due to the municipality planned supplementary roll not covering all properties.

Note 7 - The decrease is due to number of fines withdrawn or reduced by the prosecutor and lockdown regulations.

Note 8 - The decrease in employee cost was due to unfilled vacant post during the financial period.

Note 9 - The increase in debt impairment is due to increase in accounts not being paid in time due to economic challenges and lockdown regulations that impacted the customers.

Note 10 - The budget for contracted services also includes part of expenditure that was incurred under the general expenses of which the two budgets combined.